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CENTRAL INTELLIGENCE GROUP

INTELLIGENCE REPORT

COUNTRY China

SUBJECT Political Information; Port Arthur-Dairen Inspection Group - Relations with Soviet Officials

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SUPPLEMENT

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- 25X1X 1. There is no tangible evidence that the Soviets have any real intention of relinquishing any portion of their present control. The Soviets have improved railway communications and harbor installations which indicate that they intend to make fruitful use of these areas for an indefinite period. Another indication of a prolonged stay is the influx of Soviet officers' families in the Dairen area.
2. Problems relating to the "Free Port" of Dairen are becoming more and more complicated as a result of the reorganization of Provincial and Municipal jurisdiction of administrative areas of Dairen and Dairen hsien, promulgated by the Soviets. During the Japanese occupation the whole of Dairen city was considered part of the "Free Port". Under Soviet control the city has been divided so that only a few buildings in the immediate harbor area are now designated as part of the "Free Port". The greater part of the city is now under the jurisdiction of Dairen hsien. It is interesting to note that the warship carrying the Inspection Group was not permitted to dock at Dairen despite a specific request to that effect presented by General TUNG. The Soviets explained that the approaches to Dairen Harbor were too dangerous at the moment.
3. The Inspection Group was not permitted to visit the large, more important industries and installations, with the exception of the shipyard at Dairen. This shipyard is in excellent condition and is capable of servicing and repairing ships of over 10,000 tonnage.
4. The Inspection Group spent the greater portion of their tour at Port Arthur. They were well received and entertained by Soviet military and consular members. There was no discussion of any possible solution to the Dairen problem. In fact, the Soviet officials refused to make any comments. Several attempts were made by the Soviet Command to arrange for a conference between the Inspection Group and CH'IH Tze-hsiang (遲子祥), chairman of the "Puppet" Kwantung Political Administration. General TUNG refused to recognize the Kwantung Political Administration as an official organization. Some time ago an appeal for peace negotiations originating at Nanking had been turned down by this "Puppet" Administration. However, General TUNG accepted a report on the local situation prepared by CH'IH. (Contents of report were not divulged.)